



CONSUMER ADVOCATE DIVISION
STATE OF WEST VIRGINIA
PUBLIC SERVICE COMMISSION
7th Floor, Union Building
723 Kanawha Boulevard, East
Charleston, West Virginia 25301
(304) 558-0526

RECEIVED
APR 12 1996
FCC MAIL ROOM

April 11, 1996

VIA AIRBORNE EXPRESS

DOCKET FILE COPY ORIGINAL

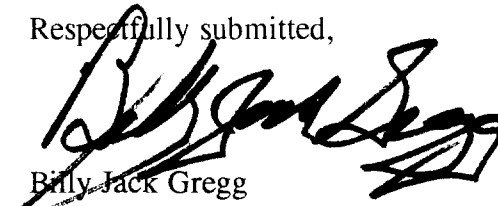
William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

Re: In the Matter of Federal-State Joint Board on Universal Service

Dear Mr. Caton:

Enclosed for filing in the above-stated matter, please find the original and four (4) copies of the Comments of the Consumer Advocate Division of the Public Service Commission of West Virginia. Copies have been served on the Federal-State Joint Board in accordance with the service list.

Respectfully submitted,



Billy Jack Gregg
Counsel for Consumer Advocate

BJG/cs

Enclosures

cc: all parties

No. of Copies rec'd
List ABCDE

CH4

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.

RECEIVED
APR 12 1996
FCC MAIL ROOM

In the Matter of
Federal-State Joint Board on
Universal Service

* CC Docket No. 96-45
* FCC 96-93
*
*

To: The Federal-State Joint Board on Universal Service

**COMMENTS OF THE WEST VIRGINIA CONSUMER ADVOCATE
ON THE NOTICE OF PROPOSED RULEMAKING
ON UNIVERSAL SERVICE ISSUES**

On March 8, 1996, the Federal Communications Commission ("FCC" or "Commission") issued a notice of proposed rulemaking ("NOPR") on universal service and established a Federal-State Joint Board ("Board") to consider the comments of interested parties concerning universal service. Under the NOPR the Board is to define the services to be included in the definition of universal service; to determine how universal service should be supported; and to recommend changes in FCC regulations necessary to implement the universal service mandates of the Telecommunications Act of 1996 ("the Act"). See 61 Fed. Reg. 10499 (March 14, 1996). The Consumer Advocate Division of the Public Service Commission of West Virginia ("West Virginia Consumer Advocate" or "WVCAD") hereby submits the following comments in response to the questions posed and issues raised by the FCC.

The West Virginia Consumer Advocate is required by statute and regulation to represent the interests of West Virginia telecommunications ratepayers in rate cases and related proceedings affecting rates. West Virginia Code §24-1-1(f)(2). Resolution of the issues relating to universal service will have a profound impact on rates and telecommunications service in West Virginia. The names and address of the counsel for the West Virginia Consumer Advocate in this proceeding are as follows:

Terry Blackwood
Billy Jack Gregg
West Virginia Consumer Advocate
700 Union Building
Charleston, West Virginia 25301

All correspondence, notices, reply comments and other documents should be sent to the above address. In these comments, the WVCAD first presents an introduction briefly describing the state of telecommunications in West Virginia, and an overview of the universal service issues presented by the advent of competition in all areas of telecommunications, as fostered by the Act. The WVCAD then responds to specific requests for comments posed by the Commission. These comments are arranged by the paragraph number appearing in the NOPR.

I. Introduction

West Virginia is a rural state with low population density. The total state population estimated by the Census Bureau in 1992 was 1,808,860, with the largest city having less than 65,000 people. Population density is only 75.1 person per square mile.¹ Telephone service is currently enjoyed by 90.6% of the households in West Virginia. Stated another way, one in ten households in West Virginia still do not have telephone service.

Local exchange telephone service in West Virginia is provided to over 864,542 access lines by seven companies. The two largest local exchange carriers (LECs) in West Virginia - Bell Atlantic and Citizens TeleCom - account for over 98% of the access lines in the state.² In spite of

¹For comparison, the population densities of other Bell Atlantic region states are as follows: Virginia 161.5 persons per square mile (psm); Pennsylvania 267.6 psm; Delaware 353.5 psm; Maryland 503.1 psm; New Jersey 1054.1 psm; and DC 9,531.3 psm. (1992 Census Data).

²Bell Atlantic serves 84.3% and Citizens serves 14.1%. Bell Atlantic serves most of the urban areas in West Virginia.

the rural nature of the state, the telecommunications network in West Virginia providing local exchange service is ubiquitous and technologically advanced. Almost 99% of the access lines in the state are served by digital switching, and over 80% are served Signalling System-7 (SS-7) equipped switches which allow provision of enhanced telephone services, such as call-waiting and call-forwarding. Hundreds of miles of fiber optic interoffice trunks are already deployed, and fiber lines are being integrated into the local distribution network. Under the World School program, over 80% of all West Virginia schools will have direct, high-speed access to the internet by the end of 1996.

As a result of the expansion of a technologically advanced telecommunications network throughout the state and policies encouraging expanded local calling areas, local service is amazingly uniform in West Virginia. Beginning in 1988 local calling areas have been expanded to include, at a minimum, all areas served by central offices within a 22-airmile radius of a subscriber's home exchange central office. Rate and service differentials between urban and rural customers have been eliminated. Less than 1% of local access lines in the state are currently served by party lines.

Rate structures for local service in West Virginia provide several options for local exchange customers, mixing measured and flat-rate service. Rates for local service vary little from company to company. Over 98% of West Virginia's telephone subscribers pay the following monthly rates³:

³The rates shown are for Bell Atlantic-West Virginia, which serves 84% of subscribers, in West Virginia. Citizens TeleCom, which serves over 14% of subscribers in the state, has rates which are slightly higher in residential plans 2 and 4, and business plan 2. The remaining 2% of subscribers are served by 5 small rural phone companies

<u>Residence</u>	<u>Type of Service</u>	<u>Basic Cost⁴</u>	<u>Basic Cost with SLC⁵</u>	<u>Percent Subscribers</u>
Plan 1	All measured	\$ 6.00	\$ 9.50	16%
Plan 2	Home flat, rest measured	\$15.00	\$18.50	22%
Plan 3	More flat, rest measured	\$22.00	\$25.50	53%
Plan 4	All flat	\$29.00	\$32.50	8%

<u>Business</u>	<u>Type of Service</u>	<u>Basic Cost⁶</u>	<u>Basic Cost with SLC⁷</u>	<u>Percent Subscribers</u>
Plan 1	All measured	\$24.50	\$30.50	61%
Plan 2	More flat, rest measured	\$55.00	\$61.00	39%

As can be seen, local rates in West Virginia are already high, well above the national average for monthly residential rates of \$18.00, including the SLC.⁸ Because of rugged mountainous terrain, construction costs for landline telecommunications have historically been high. In addition, low customer density and below average business revenues have contributed to high basic telephone rates in West Virginia. However, these rates would be even higher if not for the operation of the current structures designed to support high cost areas by recovering a portion of local costs from the interexchange market and the subscriber line charge ("SLC"). Telephone companies in West Virginia not only keep the \$35.4 million in revenues generated internally by the SLC, they also receive a total of \$19.6 million a year in Universal Service Fund ("USF")

⁴The basic cost for Plan 1 does not include any usage. The actual monthly cost for Plans 1, 2 and 3 will vary depending on the amount of usage billed at measured rates.

⁵Subscriber line charge \$3.50 per month for residential customers.

⁶The basic cost for Plan 1 does not include any usage. The actual monthly cost for Plans 1 and 2 will vary depending on the amount of usage billed at measured rates.

⁷Subscriber line charge \$6.00 per month for business customers.

⁸Based on the FCC's 87-339 Monitoring Docket (May 1994).